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DEPT FOR EEB/ESC/TFS (COULTER), ISN, NEA

E.O. 12958: DECL: 10/29/2012  
TAGS: [KNNP](#) [IR](#) [PREL](#) [PARM](#) [EFIN](#) [ETTC](#) [SP](#)  
SUBJECT: IDENTIFYING TOOLS FOR POSSIBLE USE AGAINST IRANIAN  
FINANCIAL INSTITUTIONS - SPAIN

REF: (A) STATE 149523 (B) MADRID 02040

Classified By: Deputy Chief of Mission, Hugo Llorens, for reasons 1.5 b  
and d.

11. (S/NF) This message is keyed to reftel A's para. 5.

12. (S/NF) The Bank of Spain regulates banks. The Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offenses (SEPBLAC) is the Spanish government entity that focuses on preventing and investigating money laundering. Stemming the flow of terrorism finance is one of SEPBLAC's front burner priorities. The Secretary of State for Economy, David Vergara, heads up the Commission for the Prevention of Money Laundering and Monetary Offenses. The Bank of Spain focuses on ensuring that banks have adequate anti-money laundering procedures. If the Bank of Spain considers an institution to be deficient in this regard, it can levy a fine. Even if the fine is low compared with the regulated entity's turnover, the public nature of the fine is important because fines connote reputational risk. SEPBLAC is Spain's Financial Intelligence Unit (FIU) and represents Spain at Financial Action Task Force (FATF) meetings. As a practical matter, the Bank of Spain and SEPBLAC work closely together.

13. (S/NF) The Bank of Spain has the authority to revoke operating licenses for foreign financial institutions. In practice, however, it rarely exercises this authority.

14. (S/NF) Both the Bank of Spain and SEPBLAC have the responsibility to ensure that Spain complies with United Nations Security Council Resolutions. To the extent a resolution mandates closing correspondent accounts with Iranian banks, the Bank of Spain and SEPBLAC would communicate to financial institutions to close correspondent accounts. This would apply on proliferation or terrorism grounds. Specifically with respect to terrorism, our reading of SEPBLAC's aims from its internet page indicates that SEPBLAC could act to close correspondent relationships with Iran if it suspected that such relationships were being used to further terrorism, i.e. a UNSCR would not be needed.

15. (S/NF) Spain uses the euro so we are not aware of a mechanism available to the Spanish government that would allow it to prevent Iranian banks from using the euro unless the European Central Bank mandated such a step.

16. (S/NF) The Ministry of Industry, Tourism and Trade Secretary of State for Trade, Pedro Mejia, chairs an

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inter-agency working group that reviews transactions with Iran. Mejia has told DCM that Spain has a restrictive approach. Ministry of Foreign Affairs (MFA) Secretary of

State Bernadino Leon told DCM on 10/25/07 (ref B) that several business deals had not been approved even though it was not clear that the transactions in question contravened UNSCRs 1737 or 1747. The Bank of Spain issues Circulars that appear in the Boletín de Estado (Spain's equivalent of the Federal Register) that provide information on regulatory requirements. SEPBLAC communicates with regulated entities through a form of registered e-mail.

17. (S/NF) Our sense is that Spain's financial authorities will be vigilant in ensuring that Spanish financial institutions are protected from Iranian money laundering. We are also confident that the regulatory authorities will insist that UNSCRs on Iranian financial sanctions be scrupulously implemented. The bottom line is that Spain has the regulatory tools that are required to limit exposure to Iran. In some cases, Spain may go beyond its international legal obligations with respect to Iran, but the country will guard its right to determine when it is in its national interest to do so. But again, the tools are available to the government should it choose to use them.

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